

Message Text

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C O N F I D E N T I A L STATE 047690

STADIS////////////////////////////////////
PASS TO M.H.STYLES

E.O. 11652:GDS

TAGS: EAIR,UK

SUBJECT: CIVAIR: US JAPAN CIVAIR NEGOTIATIONS

PROPOSED TEXT, DUE MARCH 15, FOLLOWS FOR STYLES REVIEW AND
COMMENT.

BEGIN TEXT MEMORANDUM FOR DR.ZBIGNIEW THE WHITE HOUSE
SUBJECT: U.S.-JAPAN CIVIL AVIATION NEGOTIATIONS
THIS MEMORANDUM IS IN RESPONSE TO YOUR FEBRUARY 16 REQUEST
THAT THE DEPARTMENT DEVELOP AN APPROACH FOR NEGOTIATING A
NEW U.S.-JAPAN CIVIL AVIATION AGREEMENT.

A FOURTH ROUND OF NEGOTIATIONS WITH JAPAN ON THIS ISSUE
WILL BEGIN IMMEDIATELY FOLLOWING PRIME MINISTER FUKUDA'S
VISIT. WE DOUBT THAT THE JAPANESE EXPECT THIS FOUR-DAY
ROUND TO RESULT IN OVERALL AGREEMENT; THEY ARE PROBABLY
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LOOKING TO A DEFINITIVE ROUND LATER, POSSIBLY IN MAY OR
JUNE. THE PRIME MINISTER IS LIKELY TO RAISE THE ISSUE
WITH THE PRESIDENT IN ONLY GENERAL TERMS, STRESSING THE
IMPORTANCE JAPAN ATTACHES TO RESOLUTION OF ITS
DEMANDS.

OUR AVIATION NEGOTIATIONS WITH JAPAN MUST BE VIEWED IN THE

CONTEXT OF OTHER MAJOR FOREIGN CHALLENGES TO OUR INTERNATIONAL AIR TRANSPORT POLICY. JAPAN, ALONG WITH THE UK

AND ITALY, ARE PRESSING US FOR ARRANGEMENTS WHICH WOULD LIMIT THE NUMBER OF US AIRLINES OPERATING ABROAD AND IMPOSE TIGHT CONTROL OVER THE CAPACITY AIRLINES MAY OFFER IN ORDER TO PRODUCE EQUAL MARKET SHARES. WHILE WE NEED NOT INSIST ON UNLIMITED COMPETITION IN THE AVIATION AREA INTERNATIONALLY, WE MUST PRESERVE A SUFFICIENT LEVEL TO GIVE OUR PRIVATELY-OWNED AIRLINES THE NECESSARY INCENTIVES TO SERVE THE PUBLIC AND EARN A REASONABLE PROFIT. THE POSITIONS BEING ADVANCED BY JAPAN AND OTHER COUNTRIES WOULD NOT DO THIS.

THE PROSPECTS OF REACHING AN ACCEPTABLE AGREEMENT WITH JAPAN MAY, HOWEVER, BE BETTER THAN WITH THE UK OR ITALY BECAUSE THE JAPANESE, UNLIKE THE OTHER TWO COUNTRIES, WANT ADDITIONAL ROUTE CONCESSIONS FROM US. THERE IS THEREFORE THE POSSIBILITY OF ACCOMMODATING THE JAPANESE ON ROUTES IN RETURN FOR PRESERVATION OF OUR PRINCIPLES CONCERNING DESIGNATION OF AIRLINES AND CAPACITY. IN ADDITION, WE SHOULD OBTAIN A SEPARATE AGREEMENT WHICH REMOVES, OR AT LEAST RELAXES, THE CURRENT JAPANESE QUOTA RESTRICTIONS ON CHARTER FLIGHTS OF THE US SUPPLEMENTAL AIRLINES. THE JAPANESE HAVE BEEN APPLYING THIS QUOTA FOR MANY YEARS AGAINST OUR SUPPLEMENTAL AIRLINES, WHILE ALLOWING OUR SCHEDULED AIRLINES UNLIMITED CHARTER FLIGHTS. THIS DISCRIMINATORY TREATMENT HAS AROUSED STRONG FEELINGS

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IN OUR INDUSTRY AND FROM CONGRESS.

THE JAPANESE HAVE COMPOUNDED THE NEGOTIATIONS DIFFICULTIES BY REFUSING TO ALLOW CONTINENTAL AIRLINES TO INITIATE SERVICE BETWEEN SAIPAN AND JAPAN, DESPITE THE FACT THAT SUCH A US ROUTE IS PROVIDED FOR IN THE EXISTING AGREEMENT. THE JAPANESE WANT THIS MATTER ADDRESSED IN THE OVERALL NEGOTIATING CONTEXT. WE HAVE TOLD THE JAPANESE THAT WE WANT TO DISCUSS THIS MATTER FIRST IN THE UPCOMING NEGOTIATIONS IN MARCH AND THAT WE WILL HAVE DIFFICULTY IN FULLY CONSIDERING THEIR REQUESTS FOR AMENDMENT OF THE AGREEMENT UNTIL THERE IS A RESOLUTION OF THE SAIPAN ISSUE UNDER THE EXISTING AGREEMENT.

A PAPER DESCRIBING A US POSITION IN MORE DETAIL IS ATTACHED. (FOLLOWS)

THE US POSITION FOR THE US-JAPAN CIVIL AVIATION NEGOTIATIONS. ROUTES. IT IS NOT POSSIBLE TO DETERMINE SPECI-

FICALLY WHAT ADDITIONAL ROUTES WE MIGHT BE ABLE TO GRANT THE JAPANESE UNTIL THEY HAVE IDENTIFIED ROUTES THEY WOULD LIKE AND THE DEPARTMENTS OF STATE AND TRANSPORTATION AND THE CIVIL AERONAUTICS BOARD HAVE HAD AN OPPORTUNITY TO ANALYZE THEIR ECONOMIC VALUE. TENTATIVELY, HOWEVER,

IT IS POSSIBLE TO ASSUME THAT WE MIGHT GIVE THE JAPANESE TRAFFIC RIGHTS TO ONE OR TWO ADDITIONAL US CITIES AND RIGHTS BEYOND THE UNITED STATES TO, PERHAPS, ONE COUNTRY IN SOUTH AMERICA. SOME PRELIMINARY WORKS CONCERNING A LIMITED NUMBER OF PROSPECTIVE ROUTES IS UNDERWAY. JAPAN WOULD KEEP ITS CURRENT RIGHTS TO GUAM, HONOLULU, ANCHORAGE, SAN FRANCISCO, LOS ANGELES AND NEW YORK AND BEYOND TO EUROPE (JAPAN IS NOT USING THIS BEYOND RIGHT AT THE PRESENT TIME). THE UNITED STATES IS NOT SEEKING ANY ADDITIONAL ROUTE RIGHTS BUT AT THE SAME TIME, IT DOES NOT WISH TO SURRENDER ANY RIGHTS IT PRE-
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SENTLY HOLDS.

THE VALUE OF ANY NEW RIGHTS GRANTED TO THE JAPANESE MIGHT INFLUENCE TO SOME DEGREE THEIR WILLINGNESS TO ACCOMMODATE OUR INTERESTS CONCERNING DESIGNATION OF AIRLINES, CAPACITY AND CHARTERS. ALSO, WE WOULD CONDITION USE OF THE NEW ROUTES BY THE JAPANESE WITH THE OPENING OF NARITA AIRPORT, THE NEW INTERNATIONAL AIRPORT FOR TOKYO, WHICH SHOULD RELIEVE THE SERIOUS PROBLEM OF CONGESTION THAT EXISTS AT THE PRESENT HANEDA AIRPORT, AND WITH PERMISSION TO USE WIDE BODIED AIRCRAFT (E.G. B747, DC-10) AT OSAKA WHICH IS PRESENTLY PROHIBITED BY LOCAL RESTRICTIONS.

DESIGNATION OF AIRLINES. WE WILL SEEK TO MAINTAIN THE PRINCIPLE OF MULTIPLE DESIGNATION AND ALL THE EXISTING CERTIFICATED RIGHTS ENJOYED BY THE US AIRLINES. HOWEVER, WE SHOULD BE WILLING TO CONSIDER LIMITING NEW DESIGNATIONS IN SOME WAY CONSISTANT WITH US INTERNATIONAL AVIATION POLICY. THIS COULD INCLUDE A PROVISION FOR PRIOR CONSULTATIONS BEFORE ADDITIONAL DESIGNATIONS ARE MADE. WHILE THIS WOULD NOT RESTRICT SIGNIFICANTLY THE DESIGNATIONS OF AIRLINES, IT WOULD GIVE THE JAPANESE A CLEAR OPPORTUNITY TO EXPRESS THEIR OPPOSITION TO ADDITIONAL DESIGNATION CAPACITY. WE ARE WILLING TO EXPAND THE CURRENT PRESCREENING ARRANGEMENT ALONG THE LINES OF OUR APPROACH TO THE UK. US AIRLINES NOW MUST INFORM THE JAPANESE GOVERNMENT 45 DAYS IN ADVANCE OF ANY PROPOSED INCREASE OF CAPACITY AND THE JAPANESE CAN CALL FOR AN EX POST FACTO REVIEW OF THE SITUATION SIX MONTHS AFTER THE INCREASE IN CAPACITY. THE NEW ARRANGEMENT WOULD ALSO PROVIDE FOR PRIOR NOTIFICATION AND CONSULTATIONS AND

WOULD INCLUDE PROVISIONS THAT CAPACITY INCREASES DURING
A TRAFFIC SEASON COULD, IN CASES OF CONTINUING DIS-
AGREEMENT OVER CAPACITY LEVELS, BECOME A TEMPORARY NEW
LIMIT FOR THE NEXT CORRESPONDING TRAFFIC SEASON.
ALTHOUGH THIS NEW ARRANGEMENT WOULD NOT PLACE A MAJOR
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RESTRICTION ON CAPACITY INCREASES, IT WOULD TEND TO

SPACE INCREASES OVER A LONGER PERIOD OF TIME.

CHARTERS. WE WOULD SEEK A CHARTER AGREEMENT OR MODUS
OPERANDI UNDERSTANDING WHICH CLEARLY RECOGNIZES THE RULES
OF THE COUNTRY OF ORIGIN, PROVIDES EQUAL TREAT FOR ALL
AIRLINES (SCHEDULED AND SUPPLEMENTAL) AND IMPOSES NO
LIMITATIONS ON THE NUMBER OF FLIGHTS THAT COULD BE
OPERATED. HOWEVER, WE WOULD BE READY TO AGREE TO THE
GRADUAL REMOVAL OF QUOTAS AS THEY PERTAIN TO US
SUPPLEMENTAL AIRLINES, E.G., 150 CHARTERS IN 1978, 300 IN
1979, UNLIMITED THEREAFTER. END TEXT

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